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ADMINISTRATIVE AND BUDGETARY MATTERS

Management of Trust Funds

Report of the Executive Director

Summary

There were 52 trust funds in operation during 1994. Of these, 10 have been established since the seventeenth session of the Governing Council and all but two of them are technical cooperation trust funds. There were 16 general trust funds, 22 general technical cooperation trust funds, 13 personnel technical cooperation trust funds and one general trust fund, for which UNEP plays the role of treasurer only. The present report brings to the attention of the Governing Council the necessary details on the newly established trust funds and those trust funds on which the Governing Council is being requested to take action. The financial details of the trust funds are presented in a separate document alongside the financial details of the Environment Fund and other sources of funding (see UNEP/GC.18/14).

Suggested action by the Governing Council

The Governing Council is requested to **note** and **approve** the establishment of the following new trust funds since the seventeenth session of the Governing Council, whose objectives and internal operational periods are as follows:

The General Trust Fund for the Establishment of the Interim Secretariat of the Biological Diversity Convention was established in 1993 to receive funding provided by the Government of Switzerland for financing costs of meetings and activities of the Interim Secretariat of the Convention on Biological Diversity. The trust fund was given an expiry date of 31 December 1996.

* UNEP/GC.18/1.

The Technical Cooperation Trust Fund to Strengthen the Capacities of Developing Countries in the Management of Chemicals (financed by the Government of Switzerland) was established in 31 December 1995. Its objective is to provide training and technical assistance to enhance the capabilities of developing countries in the management of chemicals.

The Technical Cooperation Trust Fund to Strengthen the Institutional and Regulatory Capacity of Developing Countries in Africa (financed by the Government of the Netherlands) was established in 1993 and has an expiry date of 30 September 1997. Its objective is to support African countries in strengthening their legislative and institutional capacity to improve environmental management for sustainable development, including related training and information dissemination.

The Technical Cooperation Trust Fund to Support National Land Degradation Assessment and Mapping in Kenya (financed by the Government of the Netherlands) was established in 1993 and expires 31 May 1995. It purpose is to finance technical assistance to Kenya by providing support to projects on national land degradation assessment and mapping.

The Technical Cooperation Trust Fund to Assist the Implementation of Agenda 21 in Europe and to Strengthen the Pan-European Environmental Cooperation (financed by the Government of the Netherlands) was established in 1994. Its objective is to contribute resources to the projects of the UNEP Regional Office for Europe in the environmental programme activities aimed at achieving better environmental quality in Central and Eastern European countries, in accordance with Agenda 21. Its expiry date is 31 December 1998.

The Technical Cooperation Trust Fund to Assist Developing Countries to Take Action in Accordance with Agenda 21 (financed by the Government of Sweden) provides assistance in country-specific field activities, environmental law, information dissemination and developing country participation in UNCED follow-up meetings. It was established in 1994, with an initial expiry date of 31 December 1995.

The General Trust Fund for the Convention on Biological Diversity was established in 1994 by a decision of the First Meeting of the Conference of the Parties to the Convention on Biological Diversity in Nassau, Bahamas. The resources of the trust fund will be used for implementation of the programme approved by the Parties. Its expiry date is 31 December 1996.

The Technical Cooperation Trust Fund to Assist the International Agricultural Research Centres (IARCs) of the Consultative Group on International Agricultural Research (CGIAR) in the Use of Geographic Information Systems in Agricultural Research Management (financed by the Government of Norway) was established in 1994 with initial funding provided by the Government of Norway to support the preparatory phase of a project on use of geographic information systems in agricultural research management. It is expected that funding will be provided by additional donor Governments to support subsequent phases of the project. The trust fund has no fixed expiry date.

The Technical Cooperation Trust Fund to Support Activities on Environmental Issues (financed by the Government of Japan) was established in 1994 through an agreement with the Government of Japan to support activities on environmental matters, hosted by the International Hospitality and Conference Service Association. Its expiry date is 31 December 1995.

The Technical Cooperation Trust Fund to Promote Managerial Innovation and Excellence (financed by the Government of the United States of America) was established in 1994, with funding provided by the Government of the United States of America. The trust fund is to be used at the discretion of the Executive Director to promote managerial innovation and excellence. It

The General Trust Fund for the Protection, Management and Development of the Coastal and Marine Environment and the Resources of the Northwest Pacific Region was established in 1995 by a resolution of the first intergovernmental meeting on the Northwest Pacific Action Plan in Seoul, Republic of Korea in 1994. The purpose of the trust fund is to provide financial support for the implementation of the Action Plan. Its expiry date is 31 December 1997.

The Governing Council is also requested to **note** and **approve** the change of name of the Technical Cooperation Trust Fund to Provide Experts to UNEP/GRID (financed by the Government of Denmark) to the Technical Cooperation Trust Fund to Provide Experts to UNEP/GRID (financed by the Government of the United States of America).

The Governing Council is requested to **note** and **approve** the extension of the following trust funds by the Executive Director:

Name of Trust Fund	Establishment date	Proposed expiry date
Trust Fund for the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal	1993	31.12.1998
Trust Fund to Assist Developing Countries and Other Countries in Need of Technical Assistance in the Implementation of the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal	1993	31.12.1998
Regional Trust Fund for the Implementation of the Action Plan for the Caribbean Environment Programme	1981	31.12.1997
Trust Fund for the Convention on International Trade in Endangered Species of Wild Fauna and Flora	1979	31.12.2000
Regional Trust Fund for the Implementation of the Action Plan for the Protection and Development of the Marine Environment and Coastal Areas of the East Asian Seas	1981	31 December 1996
Trust Fund for the Convention on Conservation of Migratory Species of Wild Animals	1986	31.12.1997
Trust Fund for the Vienna Convention for the Protection of the Ozone Layer	1989	31.03.2000
Technical Cooperation Trust Fund to Provide Consultancies to Developing Countries (financed by the Government of Finland)	1986	31.12.1995
Technical Cooperation Trust Fund for UNEP's Implementation of the Activities Funded by the Global Environment Facility	1991	30.6.1997
Technical Cooperation Trust Fund to Promote Technical Cooperation and Assistance in Industrial, Environmental and Raw Material Management (Financed by the Government of Sweden)	1985	31.12.1997

The Governing Council is requested to **approve** the extension of the following trust funds by the Executive Director, subject to UNEP receiving requests to do so from the relevant Governments or contracting parties:

Name of Trust Fund	Establishment date	Proposed expiry date
Regional Seas Trust Fund for the Eastern African Region	1986	31.12.1997
Trust Fund for the Environmental Training Network in Latin America and the Caribbean	1989	31.12.1997
Regional Trust Fund for Protection and Development of the Marine Environment and Coastal Areas of Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia and United Arab Emirates	1978	31.12.1997
Trust Fund for Protection of the Mediterranean Sea against Pollution	1979	31.12.1997
Trust Fund for the Montreal Protocol on Substances that Deplete the Ozone Layer	1990	31.03.2000
Trust Fund for the Protection and Development of the Marine Environment and Coastal Areas of the West and Central African Region	1981	31.12.1997
Technical Cooperation Trust Fund to Assist Developing Countries to Take Action in Accordance with Agenda 21 (financed by the Government of Sweden)	1994	31.12.1997
Technical Cooperation Trust Fund for Activities in Developing Countries on Environmental Awareness and Machinery (financed by the Government of Germany)	1988	31.12.1997
Technical Cooperation Trust Fund to Provide Experts to UNEP/GRID (financed by the Government of the United States)	1987	Not fixed
Technical Cooperation Trust Fund to Assist the Implementation of the Montreal Protocol on Substances that Deplete the Ozone Layer in Developing Countries (financed by the Government of Sweden)	1990	31.12.1997
Technical Cooperation Trust Fund for the Establishment of the International Environmental Technology Centre in Japan	1991	Not fixed
Technical Cooperation Trust Fund to Develop and Coordinate the Implementation of the Plan for the Survey, Assessment and Dealing with the Consequences of Environmental Damage caused by Conflict between Kuwait and Iraq	1991	31.12.1997
Technical Cooperation Trust Fund for Financing of Professional Officers (financed by the Government of the Republic of Korea)	1990	Not fixed
Technical Cooperation Trust Fund to Assist Developing Countries to Take Action for the Protection of the Ozone Layer under the Vienna Convention and the Montreal Protocol (financed by the Government of Finland)	1990	31.12.1996

The Governing Council is requested to **note** and **approve** the closure of the following trust funds by the Executive Director:

Name of Trust Fund	Establishment date	Expiry date
Technical Cooperation Trust Fund to Support the Clearing-house Mechanism through provision of Consultancies on Strategies for Dealing with Serious Environmental Problems (financed by the Government of Norway)	1985	31.12.1993
Technical Cooperation Trust Fund for the Establishment of a Global Resource Information Database (GRID) Centre in Arendal (financed by the Government of Norway)	1989	31.12.1992
Technical Assistance Trust Fund for an Integrated Pilot Project on Environmental Management and Protection of Andean Ecosystems Cajamarca, Peru (financed by the Government of Germany)	1984	31.12.1993

Trust Fund contributions

1. The general trust funds financing the activities of secretariats generally experience resource shortfalls, particularly at the beginning of each year and this has necessitated that UNEP advance them enough resources from the Environment Fund until resources are contributed to the trust funds. Due to the increasing difficulties being experienced by the Environment Fund, the secretariats will not be able to depend on advances to carry out their operations and activities in future. The Governing Council may wish to remind the Parties to the general trust funds to abide strictly to the terms of the trust funds which call for the contributions to these trust funds to be paid ahead of the year in which they are required. In fact, according to the management requirements of the trust funds, a 15 per cent cash reserve of the estimated annual planned expenditures should be maintained to cover shortfalls and any liquidating liabilities.

Counterpart contributions

2. Concurrent with an increase in the number of trust funds, UNEP has witnessed an increase in counterpart contributions. In 1992-1993 UNEP received counterpart contributions in convertible currencies totalling US $14,105,247, compared with US $11,815,505 received in 1990-1991. It is estimated that during the biennium 1994-1995 counterpart contributions will total approximately US $15,000,000. Counterpart contributions are earmarked to fund specific activities in projects financed from both Environment Fund programme resources and trust funds. A typical use of the counterpart contribution is to provide funds for a specific seminar or to finance developing countries' participation in environmental meetings. Counterpart contributions may also be channelled towards funding the activities of interim secretariats for Conventions before the actual Secretariat is established and respective trust funds are set up. The financial details of the counterpart contributions are presented in a separate document (UNEP/GC.18.14, annex I) alongside the financial details of the Environment Fund and other sources of funding.

The number of trust funds administered by UNEP

3. The Governing Council in its decision 17/39 noted that efforts made to reduce the number of trust funds did not meet with the approval of participating Governments and requested the Executive Director to review the options for checking the proliferation of such funds administered by UNEP.

4. Trust funds, reserve and special accounts are established in the United Nations under regulations 6.6, 6.7 and 7.3 of the Financial Regulations and Rules of the United Nations. Article V of the general procedures governing the operations of the Fund of the United Nations Environment Programme states:

"Within the framework of the Fund, trust funds may be established by the Executive Director with the approval of the Governing Council for specified purposes consistent with the policies, aims and activities of the Fund. The purpose and limits of each trust fund shall be clearly defined. The Financial Rules shall apply to any trust fund established under this article."

5. In light of the above, the Executive Director feels that she has no options to offer to reduce the number of trust funds. According to financial regulation 7.3, when donors wish to specify the purpose of their contributions, the resources should be treated as trust funds or special accounts.

6. Additionally, rule 204.1 of the Financial Rules of the Fund of the United Nations Environment Programme, authorizes the Executive Director to accept counterpart contributions for the cost of specific services and facilities, as set out in individual project documents.

7. The trend reported in the present report shows a marked preference by Governments to earmark their voluntary contributions. Both the number of trust funds and that of counterpart contributions is on the increase. There is also a growing tendency by the donors to request additional reporting beyond the normal requirements. Furthermore, a new practice is now emerging. It consists of the establishment of trust funds to finance the work programme of international conventions and Governments' requesting that their contributions be treated as counterpart contributions to the projects that support the activities of the Secretariat.

8. In light of the burden to UNEP that this growing tendency is creating, the following procedures will be put into practice:

(a) The definition of counterpart contributions will be applied in a narrow way, to include only the resources in cash contributed by a cooperating agency or a supporting organization under a project jointly implemented with UNEP and financed partially by the Environment Fund;

(b) Contributions made to finance activities under the work programme of an international convention will be deposited into the respective trust fund as miscellaneous income and no additional reporting, outside the normal reports, would be produced;

(c) Except in the case of counterpart contributions, as defined in paragraph 8 (a) above, when a donor wishes to earmark its contribution and receive a separate report, either financial or substantive, it will be considered as a trust fund according to the Financial Regulations and Rules and a charge of 13 per cent will be applied in accordance with the reimbursement formula approved by the General Assembly in its resolution 35/217 V, of 17 December 1980.

(d) A new trust fund will be established by the Executive Director to manage contributions received to support the participation of nationals from developing countries in international meetings on environmental matters.

Trust Fund programme support

9. UNEP's allocations of trust funds programme support are estimated to be $5.5 million, of which $2.7 million constituted 1994 allocations, leaving $2.8 million for 1995. UNEP charges the trust funds for its provision of support, including substantive services, finance, personnel, general services and reporting, using the rate approved by General Assembly resolution 35/217 V of 17 December 1980. These charges are credited to a special account established for programme support costs and are reported in the organization's financial statements. The account is subject to audit by the Internal Audit Division and by the United Nations Board of External Auditors. The financial details of the trust funds are available in a separate background document, containing a summary report on the status of each trust fund.

Progress in the Clearing-house's resource mobilization activities

10. In 1993 and 1994, the Clearing-house for Technical Cooperation continued to devote its efforts to playing an active role in helping to provide and mobilize the assistance needed by developing countries, through mobilization of additional resources to the Environment Fund. Thus, the Clearing-house brokered from the Government of Finland a contribution of $1,200,000 for the project "Awareness Building and Facilitating the Use of Neem as a Source of Natural Pesticides and Other Useful Products in Sub-Saharan Africa", which is being implemented by the International Centre of Insect Physiology and Ecology (ICIPE). The funds are remitted directly to ICIPE from the donor. Furthermore, the Government of Norway contributed (a) $76,690 for the project on "Assessment of Biological Diversity and Microclimate of Tropical Forest Canopy", implemented by the Smithsonian Tropical Research Institute (STRI), Panama; (b) $280,000 for the project on the "Use of GIS in Agricultural Research Management in the CGIAR"; (c) approx $53,000 for assistance to 28 participants from African countries for the first meeting of the Conference of Parties to the Convention on Biological Diversity; and (d) provided a number of Norwegian consultancies in support of UNEP's participation in GEF. The Government of Germany contributed $189,840 to the Technical Cooperation Trust Fund for Activities in Developing Countries on Environmental Awareness and Machinery, which has been earmarked for capacity building activities for environmental management in Mauritania. From the Government of the Netherlands $5 million was raised for a four-year period for a joint UNEP/UNDP/IUCN project on "Environmental Law and Institutions in Africa." The Clearing-house also obtained a contribution of $25,000 from the Danish Government for the negotiations between Eastern and Southern African Governments on an Agreement on Cooperative Enforcement Operations Directed at Illegal Trade in Wild Fauna and Flora, better known as the Lusaka Agreement.

11. UNEP cooperates with the Arab Gulf Programme for United Nations Development Organizations (AGFUND) for environmental assistance to less-developed countries. In 1993 and 1994, activities with AGFUND were undertaken in Egypt, Djibouti, and Uganda. Furthermore, Clearing-house brokered a contribution of US $70,000 for a rural women's integrated project in United Republic of Tanzania.